

Upgrading wholesale markets

Florence Forum, 17-18 May 2017

Energy Transition requires commercial availability of cross-border capacity to cope with flexibility required by intermittent RES integration

What do we observe ?

- **Low commercial utilisation of interconnection**
- Inefficiencies : congestion problems solved by **restricting cross-border capacities**

What do we want ?

- A real **regional optimization for capacity calculation** , where redispatching costs are on an equal footing with congestion rents – TSOs need proper **incentives** and framework
- A fair allocation of redispatching/countertrading costs respecting a **polluter pays principle**
- A market based management of congestion, where congestions do not lead to discriminatory market access

How can CACM improve the situation ?

- One of the most important CACM milestone = capacity calculation methodology for each CCR
- EURELECTRIC urges TSOs to propose **ambitious methodology**, maximizing available cross-border capacity by efficiently performing congestion management actions, in line with ACER recommendation
- EURELECTRIC urges NRAs to promote regional welfare optimization in their decision



Integration of renewable energies in the electricity market requires a level-playing field with other technologies

The Clean Energy Package calls for equal conditions of RES/CHP with other market participants

Priority Dispatch

*“Dispatching of power generation facilities and demand response **shall be non-discriminatory and market based**”*

Article 11

New exemptions
(for small RES/CHP and demonstration projects)

Non-retroactivity

Priority Access

*“The resources (...) shall be selected amongst (...) facilities submitting offers (...) using **market-based mechanisms** and be financially compensated”*

Article 12

Proposal should state that non-market based mechanisms should be an exception

In non-market based decisions, there should be full financial payment for lost revenues/costs

Balancing responsibilities

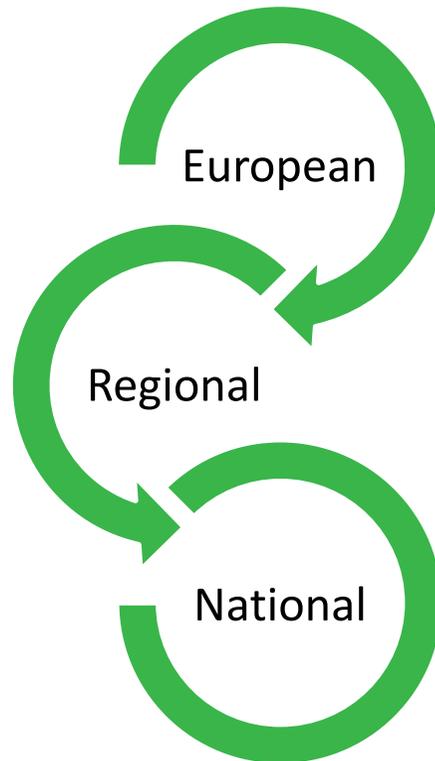
*“**All market participants** shall aim for system balance and shall be financially responsible for imbalances they cause in the system”*

Article 4

New exemptions
(for small RES/CHP and demonstration projects)

Non-retroactivity & Mechanism for voluntary acceptance against appropriate compensation

A regional approach to security of supply is welcome but the European adequacy assessment shall not prevail over regional/national ones



- A move towards a **European/regional approach to security of supply is welcome.**
- **The European adequacy assessment** shall be factored in but **shall not be considered as the only binding factor** for MS to introduce CMs.
- **European, regional and national studies should be taken into account**
- **Consistency in terms of methodology and assumptions** is what really matters.

Reliability standard

- **All Member States should define and publicly disclose their desired reliability standard** based on harmonised metrics.

The CEP should define high-level design features to foster a European coordinated approach on capacity mechanisms

Features of well-designed capacity mechanisms			Clean Energy Package	
Market-based	Valued in competitive markets	▶	Market-based	✓
Technology-neutral	All technologies able to participate without discrimination	▶	Environmental Performance Standard	✗
Open to new and existing assets	Level playing field between new and existing capacity	▶	Open to new and existing assets	✓
Cross-border participation	To drive regional cooperation and take into account interdependencies	▶	Cross-border acknowledged, but not for all types of mechanisms	✓
Open to generation, demand & storage	All forms of capacity should be able to participate	▶	Yes; generation is discriminated due to EPS	✓
Contracts	The outcome should be a contract and not a regulatory commitment	▶	<i>Not mentioned</i>	✗

Back-up slides

Capacity Allocation, Congestion Management & Bidding Zone Review

All congestion management tools on a level playing field

- Tackle Capacity allocation and congestion management in a more holistic way
- All available solutions to solve congestion to be assessed on equal basis: BZ review is only one of them.

Careful assessment of BZ review impact needed

- Impact assessment on market efficiency, liquidity and long-term value of assets needed
- Repeated BZ changes undermines investment signals

Supranational intervention in BZ review only in case of MS disagreement

- A supranational decision-making process where cross-border trade is impacted...
- ..to take place when there is no agreement between the MS
- With a 1) clear identification of the issue 2) assessment of all available solutions